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January 10, 2008

Hon. Theodore H. Katz  
Magistrate Judge,  
United States District Court  
Southern District of New York  
500 Pearl Street  
New York, New York 10007

RE: Foundling Hospital, Inc. v. Riverbay Corporation  
07 CV 2846 (RMB)(THK)

Dear Judge Katz:

This letter is written as an update from both parties regarding the resolution of this matter.

The Riverbay Board of Directors has voted to accept both the proposed settlement of this action conditioned on the proposed amendment of the agreement between Riverbay and the New York State Office of Mental Retardation and Developmental Disabilities (OMRDD). OMRDD is circulating the amendment to the agreement to the other six agencies with residences at Co-op City for their signature. OMRDD counsel tells us that this process should take roughly ten days to complete.

There was also an incident at one of the Foundling Hospital apartments at Co-op City last Monday. As counsel for Foundling Hospital, we have provided a report to Riverbay on this incident. Riverbay is reviewing the incident, and if its view of the incident matches that of Foundling Hospital, it will stand as no impediment to a resolution of this matter.

Thank you for your patience and courtesies in this matter.

Sincerely,

A handwritten signature in dark ink, appearing to read 'Robert L. Schonfeld', written over the word 'Sincerely'.

Robert L. Schonfeld

Cc: Gerald Kahn, Esq.

Robert Mascali, Esq.